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Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

E-01032C-00-0751  
G-01032A-02-0598  
E-01933A-02-0914  
E-01032C-02-0914  
G-01032A-02-0914  
G-01032E-03-0515

**Re: UES Gas Prices and Surcharge**

Dear Colleagues:

As philosopher George Santayana said, "***Those who do not remember the past are condemned to repeat it.***" Although written almost a century ago, those words ring true today.

In 2001, the Commission approved a 2-year, floating surcharge for Citizens Gas to recover an undercollected bank balance of \$42 million. It is noteworthy that this balance accumulated while the utility was owned by Citizens – not Unisource. The surcharge was scheduled to terminate in September 2003. In the fall of 2002, the Commission approved a surcharge holiday for the 2002/2003 winter season. At the time of that Decision, wholesale gas prices were relatively low. Calculations still anticipated the bank balance to "zero out" by September 2003. However, in February 2003, gas prices spiked. The bank balance increased. As a result, the Commission extended the surcharge to recover the balance that would have been recovered had the surcharge not been lifted.

The surcharge that customers now see on their bills is a direct result of the surcharge holiday. **Another** surcharge holiday would be a Pyrrhic victory: It would provide a little relief at too great a cost. Winter temperatures are subsiding. The mean March temperature in Prescott is 46 degrees compared to 39 degrees in January. The surcharge amount on customers' bills is going down. Admittedly, a surcharge holiday would reduce the March gas bill. According to Commissioner Mayes' letter, a holiday would reduce a bill for 118 therms by \$15.07. However, this guarantees that the same customers we heard from at our Prescott Public Comment Session would bear the burden of the surcharge next year and perhaps through the 2005/2006 winter as well.

I think the people of Prescott deserve our every effort to resolve the burden of high utility bills. To that end, I make a few suggestions:

***Reduce the bank balance as quickly as possible.***

We need to do all we can to "zero out" the bank balance before the next winter strikes. I agree with Chairman Spitzer that it is "unacceptable" that customers are paying for gas purchased four years ago. UES has indicated a strategy of entering into fixed price forward purchases. These purchases will reduce price volatility. Once contracts are signed for 2004/2005 winter gas, we can better determine what the effect of increasing the surcharge rate would have on bills. I would like to invite discussion on ways to pay off the bank balance as quickly as possible.

***Modify the Circuit Breaker.***

I welcome the opportunity to discuss recalculating the circuit breaker. However, I would like to invite comment on whether there should be a lower trigger for households that qualify for the CARES program or other financial assistance.

***Increase customer service training.***

I would like to hear from the company as to what training customer service representatives have received to address customers who are unable to pay their bills. Specifically, I will ask the company for information as to how many customers have deferred paying their full bill amount.

Thank you,



Mike Gleason  
Commissioner